GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7908
ANSWERED ON:17.05.2002
DIVERSION OF FUNDS
KUMUDINI PATNAIK

Will the Minister of FINANCE be pleased to state:

(a) whether several State Government have been diverting the funds allocated by the Union Government out of Consolidated Fund in violation of Article 266 of the constitution of India to other purposes;

(b) if so, the details thereof; and

(c)the instructions issued by the Union Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) to (c) : Yes, Sir. As most States have been facing large Revenue deficits in their budgets, Plan funds have in many cases been diverted to meet emergent non-plan needs. For shortfalls in Plan expenditure reported by State Governments, proportionate cuts are made from the Central Assistance allocated to the State Government. The only effective cure to prevent such diversion is for the States to ensure that Revenue deficits are wiped out. Subsequent to the recommendations of the Eleventh Finance Commission, the Ministry of Finance has drawn up a scheme called the States` Fiscal Reforms` facility. Under this scheme, States are being given suitable incentives to bring down their Revenue Deficits by 2004-05.